

Message Text

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ORIGIN SS-30

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FM SECSTATE WASHDC

TO AMEMBASSY VIENTIANE

INFO AMEMBASSY MOSCOW

AMEMBASSY TOKYO

AMCONSUL HONG KONG

USLO PEKING

S E C R E T STATE 067787

EXDIS

E.O 11652: GDS

TAGS: PFOR, EAID, UR, US, LA

SUBJECT:LAO RECONSTRUCTION AND ECONOMIC DEVELOPMENT

REFERENCE: VIENTIANE 2352

1. WE AGREE WITH MISSION ASSESSMENT THAT THERE IS
CONSIDERABLE SUPPORT FOR THE FORMATION OF A CONSULTATIVE
GROUP (CG) FOR LAOS THAT IS NOT NECESSARILY ATTACHED TO AN
OVERALL INDOCHINA FORUM.

2. GIVEN THE IMMINENT FORMATION OF THE PGNU, WE HAVE NO
OBJECTION TO YOUR APPROACHING SOUVANNA TO SUGGEST HE
INITIATE DISCUSSIONS WITH POTENTIAL DONORS THAT WOULD LEAD
TO FORMATION OF FORMAL CG.

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3. BECAUSE OF SENSITIVITIES INVOLVED IN US-USSR-PRC RELATIONS, YOU SHOULD NOT TAKE INITIATIVE IN RAISING INVOLVEMENT OF EITHER MOSCOW OR PEKING IN AID PROGRAMS. (FYI. IN ANY CASE WE NOTE THAT HE HAS ALREADY PUBLICLY STATED HIS HOPE THAT THE SOVIETS WILL PROVIDE ECONOMIC ASSISTANCE. END FYI). IF SOUVANNA RAISES QUESTION OF SOVIET AND/OR CHINESE PARTICIPATION, YOU SHOULD TELL HIM WE DO NOT OBJECT TO HIS APPROACHING EITHER OR BOTH TO SOLICIT PARTICIPATION AS BILATERAL DONORS. IN THAT EVENT, YOU MIGHT CAUTION HIM THAT SUCH AID SHOULD NOT BE GIVEN IN A WAY THAT WOULD ADD TO INFLATIONARY PRESSURES BY REQUIRING A LAO CONTRIBUTION OF LOCAL CURRENCY FOR WHICH THE DONOR

DOES NOT COMPENSATE THROUGH PROVISION OF EQUIVALENT AMOUNT OF EXCHANGE.

4. WITH RESPECT TO THE ROLE OF THE IBRD OR ADB, WE RECALL THAT LAOS HAS SOLICITED THE HELP OF BOTH INSTITUTIONS AND BOTH HAVE RESPONDED BY DISPATCHING TEAMS TO REVIEW THE OVERALL SITUATION AND IDENTIFY POTENTIAL PROJECTS. DESPITE THE CONFLICTS OVER THE MEKONG COMMITTEE SUPPORTED PIONEER AGRICULTURE PROJECTS, WE AND OTHER COUNTRIES LOOK TO THE BANKS TO PROVIDE AN IMPARTIAL ASSESSMENT OF THE COUNTRY SITUATION, COORDINATION, AND GENERAL FINANCIAL MANAGEMENT. THE PARTICIPATION OF THE BANKS IN THIS MANNER, AS WELL AS FINANCIALLY, OFTEN IS THE MAJOR FACTOR IN DETERMINING WHETHER OR NOT A POTENTIAL DONOR COUNTRY WILL CONTRIBUTE. ALTHOUGH SOUVANNA ON HIS OWN MIGHT EVENTUALLY BE ABLE TO CONVENE A MEETING OF POTENTIAL DONORS, SUCH A MEETING WOULD NOT BE ESPECIALLY FRUITFUL WITHOUT ADVANCE PREPARATION AND FOLLOW-UP. ORGANIZATIONS SUCH AS IBRD AND ADB, PARTICULARLY THE FORMER, ARE ABLE TO PROVIDE A PERMANENT SECRETARIAT TO DO ADVANCE PLANNING AND TO ENSURE FORWARD MOVEMENT ON SPECIFIC PROJECTS ONCE GENERAL POLICY AGREEMENT IS REACHED. ACCORDINGLY, WE CONTINUE TO BELIEVE, IN ABSENCE OF OTHER VIABLE ALTERNATIVES, THAT EITHER IBRD OR ADB SHOULD BE USED TO COORDINATE DONOR ASSISTANCE TO LAOS AND TO CHAIR CG.

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5. ON BASIS OF THE FOREGOING, AMBASSADOR WHITEHOUSE IS AUTHORIZED TO DISCUSS WITH PRIME MINISTER SOUVANNA PHOUМА THE IDEA OF A CONSULTATIVE GROUP FOR AID TO LAOS.

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